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SUBJECT: BOTSWANA: AMBASSADOR'S MEETING WITH FINANCE  
MINISTER

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¶1. (U) SUMMARY. Ambassador Nolan paid a courtesy call on Botswana's Minister of Finance and Development Planning Baledzi Gaolathe on October 28. The Finance Minister thanked the Ambassador for U.S. development assistance programs and noted that although Botswana has reached middle income status, the country still needs foreign aid, especially to manage the AIDS pandemic. The Minister briefed the Ambassador on some of the goals of the Government's 10th National Development Plan. Ambassador Nolan pledged that U.S. partnership with Botswana will continue and expressed his interest in Botswana's initiatives to increase trade and diversify its economy. They also discussed the impact of the Zimbabwe crisis and world economic turmoil on Botswana's economy. END SUMMARY

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Request for Continued Development Assistance  
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¶2. (U) Ambassador Nolan paid a courtesy call on Botswana's Minister of Finance and Development Planning Baledzi Gaolathe on October 28 in the Minister's office. He was accompanied by DCM and Pol/Econ Chief. Finance Minister Gaolathe thanked the USG for its partnership in Botswana's economic development over the past 40 years. Although Botswana has reached middle income status, the Minister noted that the country still needs friends like the United States, especially to manage the AIDS pandemic. He thanked the Ambassador for our PEPFAR program and was especially grateful that the Peace Corps has returned to Botswana with a focus on HIV/AIDS. He explained that the AIDS crisis was making it more difficult for Botswana to meet the Millenium Development Goals and its own "Vision 2016" pledges. The Minister and the Ambassador both praised the work of private American groups working in Botswana, including churches, the Gates Foundation, and universities like Pennsylvania and Harvard.

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10th National Development Plan  
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¶3. (SBU) The Finance and Development Planning Ministry is finalizing Botswana's 10th National Development Plan (NDP). Though past NDP's only covered a six-year period, this one will last seven years, to coincide with Botswana's "Vision 2016" goals. One fundamental premise of the draft NDP 10 is that government must encourage economic diversification and facilitate private sector growth in order to create wealth and combat poverty. He noted that the Vision 2016 Plan calls for Botswana to raise its per capita income to approximately \$9000 (from current level of nearly \$6000), and that doing so will require new ways to generate wealth. Gaolathe also

explained that in "Vision 2016," the GOB had hoped to eliminate poverty and stop new HIV infections, but achievement of these 2016 goals currently seems unlikely. However, he estimated that only 25% of Botswana's citizens are now living below the poverty line, and that this number is declining. The Minister noted that Botswana is close to reaching its 2016 pledge to have all citizens living within five kilometers of a health care facility, but the current problem is staffing those facilities. Manpower problems are replacing infrastructure problems. To improve the situation, Gaolathe said that the GOB is spending about 25% of its current budget on education, including the creation of a new faculty of medicine and teaching hospital. Botswana is on track to meet the Millenium Development Goal of universal primary education, but according to the Minister the GOB has set a goal in NDP 10 for all children to receive education through Form 5 (i.e. 12 years).

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Economic Diversification Efforts  
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¶4. (SBU) According to Minister Gaolathe, Botswana is open to world trade and working to grow its private sector and diversify its economy beyond diamonds. He noted Botswana's membership in the Southern African Customs Union (SACU), cooperation with the European Union, and ability to export duty-free to the United States under the Africa Growth and Opportunity Act (AGOA). He lamented that many Botswana firms lack the capacity to take advantage of AGOA preferences. Ambassador noted Botswana's efforts to develop a knowledge economy, such as the "Botswana Innovation Hub" project to

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attract technology firms. The Minister explained that the GOB is hoping to develop a "knowledge sector" (i.e. technology firms or service firms that have a high-tech component) and to become an energy exporter. He mentioned that the government is building a new University of Science and Technology to build capacity for "knowledge sector" employment. He noted that Botswana wants to contribute to the SADC power grid, both through projects at Mmamabula and Morupule and the encouragement of independent power projects. Finally, the Minister explained that the government is encouraging the mining sector to expand beyond diamonds and the diamond industry to diversify from mining to include aggregation, cutting, and polishing.

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Impact of Zimbabwe, World Turmoil  
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¶5. (SBU) The Ambassador asked Minister Gaolathe about the impact of the crisis in Zimbabwe on Botswana. While the GOB does not have formal statistics on Zimbabwe's economic impact, the Minister noted that an estimated 300,000 Zimbabweans live in Botswana, and most of them are economic migrants working throughout the country, many illegally. He explained that due to Botswana's relative prosperity, many of its citizens choose not to work as domestics or field hands, and that Zimbabwean laborers have filled some of that demand.

Zimbabwean migrants use Botswana's clinics and hospitals, straining the government's budget for medical and social services. The GOB also had to increase funding for the police, prisons, customs, and immigration to improve the capacity to round up so-called "border jumpers" and return them to Zimbabwe. The Minister acknowledged that the economy around Francistown has certainly boomed due to the influx of Zimbabwean shoppers, but he argued that any benefit to Francistown has been far outweighed by the way that Zimbabwe's problems have deterred investors from the entire SADC region. In addition, he explained that Zimbabwe used to be the second largest economy within SADC and it was a good trading partner to Botswana. The lost opportunity of trade within the region has also taken an economic toll.

¶6. (SBU) The world economic downturn has had some negative impact on Botswana. Minister Gaolathe said that the GOB is

very worried that the global crisis will soften demand for luxury items like diamonds in the United States and Europe, thus hurting Botswana. He noted that some buyers have chosen not to purchase diamond sights after viewing them, which is a sign of market anxiety. He was hopeful that the growth of the market for diamonds in India and China will help off-set slumping demand in the West, but worried that Asian demand for iamonds will also diminish due to the global problms. The Minister was pleased to note that world il prices have dropped, and explained that this ill likely reduce inflation in Botswana, making griculture and domestic manufacturing more profitable in the short term.

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Biographical Note  
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17. (SBU) Baledzi Gaolathe, a respected technocrat and former civil servant, has been Minister of Finance and Development Planning since October 1999. He first joined Parliament in 1999 as a "specially elected member," but in 2004 stood for and won the Tonota North constituency. Before joining Parliament, he was the Governor of the Bank of Botswana from July 1997 to October 1999. Gaolathe began his career as a civil servant. He was the Permanent Secretary in the Ministry of Finance and Development Planning for fifteen years (1977-1992) and Permanent Secretary in the Ministry of MinerQs, Energy, and Water Affairs from 1970 to 1973. He was also the first Managing Director of Debswana (the joint venture between the GOB and DeBeers) from 1992 to 1997. Minister Gaolathe is 66 years old and is married with two surviving children.  
NOLAN